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FEDERAL HOUSING FINANCE AGENCY

[No. 2014-N-01]

Notice of Annual Adjustment of the Cap on Average Total Assets that Defines

Community Financial Institutions

AGENCY: Federal Housing Finance Agency.

ACTION: Notice.

SUMMARY: The Federal Housing Finance Agency (FHFA) has adjusted the cap on

average total assets that defines a "Community Financial Institution" based on the annual

percentage increase in the Consumer Price Index for all urban consumers (CPI-U) as

published by the Department of Labor (DOL). These changes took effect on January 1,

2014.

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SUPPLEMENTARY INFORMATION:

I.   Statutory and Regulatory Background

The Federal Home Loan Bank Act (Bank Act) confers upon insured depository

institutions that meet the statutory definition of a "Community Financial Institution"

(CFI) certain advantages over non-CFI insured depository institutions in qualifying for Federal Home Loan Bank (Bank) membership, and in the purposes for which they may receive long-term advances and the collateral they may pledge to secure advances.[1] Section 2(10)(A) of the Bank Act and § 1263.1 of FHFA's regulations define a CFI as any Bank member the deposits of which are insured by the Federal Deposit Insurance Corporation and that has average total assets below a statutory cap.[2] The Bank Act was amended in 2008 to set the statutory cap at $1 billion and to require the Director of FHFA to adjust the cap annually to reflect the percentage increase in the CPI-U, as published by the DOL, for the prior year.[3] For 2013, FHFA set the CFI asset cap at $1,095,000,000, which reflected a 1.8 percent increase over 2012, based upon the increase in the CPI-U between 2011 and 2012.[4]

II. The CFI Asset Cap for 2014

As of January 1, 2014, FHFA has increased the CFI asset cap from $1,095,000,000 to $1,108,000,000, which reflects a 1.2 percent increase in the unadjusted CPI-U from November 2012 to November 2013. The new amount was obtained by rounding to the nearest million, as has been the practice for all prior adjustments. Consistent with the practice of other Federal agencies, FHFA bases the annual adjustment to the CFI asset cap on the percentage increase in the CPI-U from November of the year prior to the preceding calendar year to November of the preceding calendar year, because the November figures represent the most recent available data as of January 1st of the current calendar year.

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[1] See 12 U.S.C. 1424(a), 1430(a).
[2] See 12 U.S.C. 1422(10)(A); 12 CFR 1263.1.
[3] See 12 U.S.C. 1422(10); 12 CFR 1263.1 (defining the term CFI asset cap).
[4] See 78 FR 19262 (Mar. 29, 2013).

In calculating the CFI asset cap, FHFA uses CPI-U data that have not been seasonally adjusted (i.e., the data have not been adjusted to remove the estimated effect of price changes that normally occur at the same time and in about the same magnitude every year). The DOL encourages use of unadjusted CPI-U data in applying "escalation" provisions such as that governing the CFI asset cap, because the factors that are used to seasonally adjust the data are amended annually, and seasonally adjusted data that are published earlier are subject to revision for up to five years following their original release. Unadjusted data are not routinely subject to revision, and previously published unadjusted data are only corrected when significant calculation errors are discovered.

Dated: January 3, 2014

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Edward J. DeMarco,
Acting Director, Federal Housing Finance Agency.

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